



May 9, 2019

Honorable Holly Mitchell, Chair
Senate Budget and Fiscal Review Committee

Attention: Mr. Joe Stephenshaw, Staff Director (2)

Honorable Phil Ting, Chair
Assembly Budget Committee

Attention: Mr. Christian Griffith, Chief Consultant (2)

Amendment to Various Budget Bill Items, Support and Capital Outlay, Various Departments within the Natural Resources Agency and Environmental Protection Agency

Proposition 99 Technical Adjustments—It is requested that various Budget Bill items be amended to reflect this technical baseline budget adjustment for various departments within the Natural Resources Agency and Environmental Protection Agency to reflect additional tobacco tax revenue for the Public Resources Account. Revenue and Tax Code section 30124(b)(5) specifies that 5 percent of Cigarette and Tobacco Products Surtax Fund revenue shall be deposited into the Public Resources Account for programs that protect, restore, enhance, or maintain fish, waterfowl, and wildlife habitat, and enhance state and local parks and recreational resources.

It is requested that the following items be amended to reflect this change:

- Increase Item 0555-001-0235 by \$7,000
- Increase Item 3600-001-0235 by \$167,000
- Increase Item 3790-001-0235 by \$468,000
- Increase Item 3940-001-0235 by \$27,000

It is also requested that Item 3640-311-0001 be decreased by \$256,000. This adjustment is associated with corresponding increased May Revision revenues from the Unallocated Account Cigarette and Tobacco Products Surtax fund that offset General Fund expenditures pursuant to Fish and Game Code section 2796.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Sergio Aguilar, Principal Program Budget Analyst, at (916) 324-0043

KEELY MARTIN BOSLER

Director

By:

/s/ Vivek Viswanathan

VIVEK VISWANATHAN

Chief Deputy Director

Attachment

cc: Honorable Anthony Portantino, Chair, Senate Appropriations Committee
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Honorable Lorena Gonzalez, Chair, Assembly Appropriations Committee
Attention: Mr. Jay Dickenson, Chief Consultant
Honorable Jay Obernolte, Vice Chair, Assembly Budget Committee
Attention: Ms. Cyndi Hillery, Staff Director
Honorable Bob Wieckowski, Chair, Senate Budget and Fiscal Review Subcommittee No. 2
Honorable Richard Bloom, Chair, Assembly Budget Subcommittee No. 3
Mr. Gabriel Petek, Legislative Analyst (4)
Mr. Christopher W. Woods, Senate President pro Tempore's Office (2)
Mr. Jason Sisney, Assembly Speaker's Office (2)
Ms. Jayme Chick, Deputy Chief of Staff, Policy, Assembly Republican Leader's Office
Mr. Joe Shinstock, Policy and Fiscal Director, Assembly Republican Leader's Office
Mr. Jared Blumenfeld, Secretary, Environmental Protection Agency
Mr. Eric Jarvis, Assistant Secretary, Environmental Protection Agency
Mr. E. Joaquin Esquivel, Board Chair, State Water Resources Control Board
Ms. Eileen Sobeck, Executive Director, State Water Resources Control Board
Mr. Bill Damian, Assistant Deputy Director, Division of Administrative Services, State Water Resources Control Board
Mr. Wade Crowfoot, Secretary, Natural Resources Agency
Mr. Bryan Cash, Assistant Secretary, Administration and Finance, Natural Resources Agency
Mr. Charlton H. Bonham, Director, Department of Fish and Wildlife
Mr. Gabe Tiffany, Deputy Director, Department of Fish and Wildlife
Mr. Tyrone Williams, Budget Branch Chief, Department of Fish and Wildlife
Ms. Lisa Ann Mangat, Director, Department of Parks and Recreation
Mr. Will Shaafsma, Deputy Director of Administrative Services, Department of Parks and Recreation
Ms. Crystal Flores, Budget Chief, Department of Parks and Recreation
Mr. John P. Donnelly, Executive Director, Wildlife Conservation Board
Mr. Stephen Bouthillier, Budget Officer, Wildlife Conservation Board

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Amendment to and Addition of Various Budget Bill Items, Support and Local Assistance, Various Departments, Cap and Trade

The Governor's Budget proposed a \$1 billion Cap and Trade Expenditure Plan to support programs that reduce or sequester greenhouse gases. The May Revision proposes an additional \$251.5 million of Cap and Trade funds to prioritize additional investments in programs that result in community-scale transformations.

Transformative Climate Communities—It is requested that Item 0650-101-3228 be increased by \$92 million to support integrated, community-scale housing, transit-oriented development, and neighborhood projects that reduce emissions in some of the state's most disadvantaged areas.

Low Carbon Transportation Programs—It is requested that Item 3900-101-3228 be increased by \$130 million to provide: (1) \$65 million to replace and upgrade diesel engines and equipment in the agricultural sector; (2) \$50 million to provide incentives for zero-emission trucks, transit buses, and freight equipment; and (3) \$15 million to help individuals replace old, highly polluting vehicles with newer, more efficient cars and trucks.

Workforce Development Training and Apprenticeships—It is requested that Item 7120-101-3228 be increased by \$8 million to increase job training and workforce development as the state transitions to a low carbon economy. When combined with the funding proposed in the Governor's Budget, this proposal invests \$35 million annually for five years in two key areas: (1) targeted pre-apprenticeship and apprenticeship programs for the fast-growing construction industry; and (2) a new High Road Training Partnership program to foster connections between employers, workers, and communities with an emphasis on regions and industries that have been traditionally dependent on fossil fuels.

Climate Smart Agriculture—It is requested that Item 8570-101-3228 be increased by \$20 million to provide: (1) \$10 million for the Healthy Soils program to increase carbon sequestration on agricultural lands; and (2) \$10 million for methane reduction programs that will support the state's short-lived climate pollutant goals.

Decarbonization and Reducing Reliance on Fossil Fuels Study—It is requested that Item 0555-001-3228 be added in the amount of \$1.5 million to conduct a study laying out the key actions the state must take as we transition toward a carbon-neutral economy. The study will emphasize environmental and economic programs and policies to dramatically reduce fossil fuel demand by 2050, in line with our overall state climate goals. The California Environmental Protection Agency will coordinate the study.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Teresa Calvert, Assistant Program Budget Manager, at (916) 324-0043.

KEELY MARTIN BOSLER

Director

By:

/s/ Vivek Viswanathan

VIVEK VISWANATHAN

Chief Deputy Director

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Mr. Jason Sisney, Assembly Speaker's Office (2)
Ms. Jayme Chick, Deputy Chief of Staff, Policy, Assembly Republican Leader's Office
Mr. Joe Shinstock, Policy and Fiscal Director, Assembly Republican Leader's Office
Ms. Kate Gordon, Director, Office of Planning and Research
Mr. Jared Blumenfeld, Secretary, California Environmental Protection Agency
Mr. Eric Jarvis, Assistant Secretary, Fiscal and Administrative Programs, California Environmental
Protection Agency
Mr. Richard Corey, Deputy Executive Officer, Air Resources Board
Ms. Edie Chang, Deputy Executive Officer, Air Resources Board
Ms. Edna Murphy, Division Chief, Administrative Services Division, Air Resources Board
Mr. Andrew Robertson, Branch Chief, Budget Operations, Air Resources Board
Ms. Julie Su, Secretary, Labor and Workforce Development Agency
Mr. Jay Sturges, Assistant Secretary of Fiscal Policy, Labor and Workforce Development Agency
Mr. Tim Rainey, Director, California Workforce Development Board
Ms. Jennifer Lester Moffitt, Undersecretary, California Department of Food and Agriculture
Mr. Kevin Masuhara, Deputy Secretary, Administration and Finance, California Department of Food
and Agriculture
Ms. Kari Morrow, Division Director, Administrative Services, California Department of Food and
Agriculture
Mr. Nathan Johnson, Budget Officer, California Department of Food and Agriculture



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**Amendment to Budget Bill Item 3900-001-0115, Support, and Trailer Bill Language,
Air Resources Board**

Heavy Duty Phase 2 Greenhouse Gas Implementation and Audit Program—It is requested that Item 3900-001-0115 be increased by \$1,163,000 and 6 positions to review and certify that medium and heavy duty engines, vehicles, and trailers meet the standards of the newly adopted California Phase 2 Greenhouse Gas regulations. This effort will further the state's air quality and climate targets. Associated trailer bill language is requested to remove the cap on the total amount of funds the Air Resources Board may collect for certification of motor vehicles, engines, and trailers sold in the state so that fees are sufficient to cover the cost of implementing required state programs (see Attachment 1).

Evaluation and Approval of Innovative Freight Technologies—It is requested that Item 3900-001-0115 be increased by \$1,326,000 and 7 positions to enable the Air Resources Board to evaluate, approve, and monitor new technologies to cut emissions from port, rail, and other off-road freight equipment. Existing regulations require Board approval of zero-emission and other innovative freight technologies prior to their use in the state. The Board's activities are critical to providing regulatory compliance options for California businesses, allowing developers to bring new freight technologies to market, and preventing delays in the deployment of cleaner freight equipment needed to cut emissions in disadvantaged communities.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Juliana Morozumi, Principal Program Budget Analyst, at (916) 324-0043.

KEELY MARTIN BOSLER

Director

By:

/s/ Vivek Viswanathan

VIVEK VISWANATHAN

Chief Deputy Director

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Ms. Jayme Chick, Deputy Chief of Staff, Policy, Assembly Republican Leader's Office
Mr. Jared Blumenfeld, Secretary, California Environmental Protection Agency
Mr. Joe Shinstock, Policy and Fiscal Director, Assembly Republican Leader's Office
Mr. Eric Jarvis, Assistant Secretary, Fiscal and Administrative Programs, California Environmental Protection Agency
Mr. Richard Corey, Deputy Executive Officer, Air Resources Board
Ms. Edie Chang, Deputy Executive Officer, Air Resources Board
Ms. Edna Murphy, Division Chief, Administrative Services Division, Air Resources Board
Mr. Andrew Robertson, Branch Chief, Budget Operations, Air Resources Board

Sections 43019, 43019.1 and 43019.2 of the Health and Safety Code are amended to read:

43019. The state board may adopt, by regulation, a schedule of annual fees for the certification, audit and compliance of motor vehicles and engines sold in the state to cover the costs of state programs as authorized or required under Division 25.5 of the Health and Safety Code and Part 5 and Division 26 of the Health and Safety Code ~~this chapter~~ related to mobile sources. The state board shall establish a fee for certification to be paid by the entity seeking certification. The fee shall be in an amount sufficient to cover the state board's costs of implementing such programs, authorized or required by Division 25.5 of the Health and Safety Code and Part 5, Division 26 of the Health and Safety Code, including overhead. ~~The total amount of funds collected pursuant to this section shall not exceed four million five hundred thousand dollars (\$4,500,000) in the 1989-90 fiscal year, and in any subsequent year shall not increase by an amount greater than the annual change increase in the California Consumer Price Index, as determined pursuant to Section 2212 of the Revenue and Taxation Code, for the preceding year, operational costs, and labor costs.~~ The fees collected by the state board pursuant to this section shall be deposited in the Air Pollution Control Certification and Compliance Fund created pursuant to Section 43019.2 and shall be used to support the certification, audit and compliance workload.

43019.1. (a) (1) The state board may adopt a schedule of fees to cover all or a portion of the state board's reasonable costs associated with the certification, audit, and compliance of off-road or nonvehicular engines and equipment, aftermarket parts, and emissions control components sold in the state, as authorized pursuant to Sections 38510, 38560, 43013 and 43018 of this code and subdivision (h) of Section 27156 of the Vehicle Code. For purposes of this paragraph, "reasonable costs" does not include the state board's costs recovered in a fee assessed pursuant to Section 43019.

(2) For a certification not subject to a fee assessed by the state board pursuant to Section 43019, the state board may adopt a fee to cover all, or a portion of, the state board's reasonable costs associated with each type of certification described in paragraph (1), to be paid by the entity seeking the certification. The state board may assess a fee at the time of application and upon certification to spread the financial burden to entities remitting the fee.

(b) In adopting a schedule of fees pursuant to subdivision (a), the state board shall work with impacted industries and consider all of the following:

(1) Potential impacts on manufacturers that may result from the fee.

(2) Size of the manufacturer compared to the industry average served by the product on which the fee will be assessed.

(3) Number of certifications requested and consistency with prior year certifications by the manufacturer.

(4) Complexity of the regulated category for which a certification is requested.

(5) A product's potential impact on emissions, and the complexity of the evaluation required, including, for an aftermarket part, determining there is no risk to the environment when the aftermarket part is in actual use.

(6) Anticipated change in the number of certifications issued annually.

(7) Potential impacts for enacting a partial fee that does not fully cover the state board's costs for activities associated with certification, including the impacts on the processing time for certification.

(c) All fees collected pursuant to this section shall be deposited in the Certification and Compliance Fund, created pursuant to Section 43019.2.

43019.2. The Certification and Compliance Fund is hereby created in the State Treasury. All moneys in the fund, upon appropriation by the Legislature, shall be expended by the state board for the activities described in Section 43019, 43019.1 and 43202.5, as appropriate.



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Addition of Budget Bill Item 3930-001-0001, Support, Department of Pesticide Regulation and Amendment to Item 8570-001-0001, Support, California Department of Food and Agriculture

This letter reflects adjustments for both the Department of Pesticide Regulation and the California Department of Food and Agriculture related to pest management.

Pest Management Research Grants—It is requested that Item 3930-001-0001 be added in the amount of \$2,225,000 to augment the Department of Pesticide Regulation's Pest Management Research Grants by \$2.1 million and convene a cross-sector work group that will identify, evaluate, and develop safer, more sustainable alternative pest management tools for California growers. Pest Management Research Grants are intended to foster reduced-risk and sustainable integrated pest management strategies that provide for public safety, environmental stewardship, environmental justice, effective pest management, and increased compliance with environmental laws and regulations. It is further requested that these funds be available for encumbrance or expenditure until June 30, 2022 (see Attachment 1).

Transitioning to Safer, More Sustainable Pest Management Solutions—It is requested that Item 8570-001-0001 be increased by \$3.5 million to provide: (1) \$1.5 million for the California Department of Food and Agriculture's Pesticide Alternatives Grant program, and (2) \$2 million for the Biologically Integrated Farming Systems program. The Pesticide Alternatives Grant program supports and accelerates the registration of pest management tools on specialty crops in support of safer alternatives. The Biologically Integrated Farming Systems program brings together growers, pest control advisors, academic institutions, and non-governmental organizations to conduct projects aimed at replacing environmentally damaging agricultural chemicals, while allowing growers to maintain profitable businesses. It is further requested that these funds be available for encumbrance or expenditure until June 30, 2022 (see Attachment 2).

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Teresa Calvert, Assistant Program Budget Manager, at (916) 324-0043.

KEELY MARTIN BOSLER

Director

By:

/s/ Vivek Viswanathan

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Mr. Joe Shinstock, Policy and Fiscal Director, Assembly Republican Leader's Office
Mr. Jared Blumenfeld, Secretary, California Environmental Protection Agency
Mr. Eric Jarvis, Assistant Secretary, Fiscal and Administrative Programs, California Environmental Protection Agency
Ms. Teresa Marks, Acting Director, Department of Pesticide Regulation
Ms. Anise Severns, Assistant Director, Administrative Services Division, Department of Pesticide Regulation
Ms. Leslie Ford, Manager, Fiscal and Business Services, Department of Pesticide Regulation
Ms. Maria Bueb, Budget Officer, Department of Pesticide Regulation
Ms. Karen Ross, Secretary, California Department of Food and Agriculture
Ms. Jennifer Lester Moffitt, Undersecretary, California Department of Food and Agriculture
Mr. Kevin Masuhara, Deputy Secretary, Administration and Finance, California Department of Food and Agriculture
Ms. Kari Morrow, Division Director, Administrative Services, California Department of Food and Agriculture
Mr. Nathan Johnson, Budget Officer, California Department of Food and Agriculture

3930-001-0001—For support of Department of Pesticide Regulation.....2,225,000

Schedule:

(1) 3540-Pesticide Programs.....2,225,000

Provisions:

1. Of the funds available in this item, \$2,000,000 is available to fund pest management research grants and shall be available for encumbrance or expenditure until June 20, 2022.

Add the following provision to Item 8570-001-0001:

6. Of the funds appropriated in this item, \$3,500,000 is available to fund pesticide alternatives grants and biologically integrated farming projects and shall be available for encumbrance or expenditure until June 20, 2022.



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Honorable Phil Ting, Chair
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Amendment to Budget Bill Item 3940-001-0306, Support, and Item 3940-101-0001, Local Assistance, State Water Resources Control Board

Inyo County Primacy Delegation Revocation—It is requested that Item 3940-001-0306 be increased by \$386,000 and 2 positions, for the Water Board to assume regulatory responsibility for federal Safe Drinking Water Act (Act) requirements in Inyo County. The Water Board is the designated primacy agency for implementing the Act, and delegates primacy to certain counties to regulate systems below 200 service connections. The Water Board informed Inyo County in February 2019 that it failed to meet requirements under its delegation agreement, which has now been revoked.

Technical Adjustment: Safe Drinking Water Acceleration—It is requested that Item 3940-101-0001 be decreased by \$20 million to reflect the changes made in Chapter 1, Statutes of 2019 (AB 72), which accelerated this local assistance funding into the current year to address emergency drinking water needs.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Sergio Aguilar, Principal Program Budget Analyst, at (916) 324-0043.

KEELY MARTIN BOSLER
Director
By:

/s/ Vivek Viswanathan

VIVEK VISWANATHAN
Chief Deputy Director

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Amendment to and Addition of Various Budget Bill Items, Support, Department of Toxic Substances Control

Base Funding to Maintain Operations—The Department of Toxic Substances Control's two main special funds, the Toxic Substances Control Account and Hazardous Waste Control Account, have structural deficits, with ongoing expenditures exceeding revenues. At the time of the Governor's Budget, the Department had not completed reconciling its past year accounting records. As a result, the magnitude of the Department's funding shortfall in the current and budget years was unknown.

The Governor's Budget reflected several temporary and placeholder funding shifts from other special funds, including the Lead-Acid Battery Cleanup Fund, to support the Department's current funding level. In February, the Department was able to reconcile its accounting records through fiscal year 2017-18.

Given this updated information, the May Revision proposes a General Fund backfill to support the Department's existing operations as well as several adjustments to realign the Department's expenditures with the appropriate funding source while maintaining prudent fund balances. The following changes are intended to undo the recent set of fund shifts to more accurately reflect the fiscal condition of these funds:

- It is requested that Item 3960-012-0001 be added in the amount of \$27.5 million General Fund to backfill the Hazardous Waste Control Account given the fund's structural imbalance. This General Fund support is necessary on a temporary basis as the Administration considers necessary reforms and develops a long-term fee package to generate sufficient revenue to support the Department's core programs.
- It is requested that Item 3960-014-0557 be eliminated given the condition of the Toxic Substances Control Account. This item authorized the transfer of up to \$10 million from the Toxic Substances Control Account to the Lead-Acid Battery Cleanup Fund.
- It is requested that Item 3960-401 be eliminated due to the condition of the Lead-Acid Battery Cleanup Fund as a result of lower than anticipated revenues. This item declared the intent to repay \$16,696,000 of the \$176.6 million loan authorized by Chapter 9, Statutes of 2016 for the Exide Technologies facility cleanup from the Lead-Acid Battery Cleanup Fund to the General Fund to provide temporary loan repayment relief.

- It is requested that Item 3960-001-0014 be increased by \$5,496,000 to shift expenditures from the General Fund to the Hazardous Waste Control Account, including \$3 million provided for Hazardous Waste Control Account solvency and \$2,496,000 for the 2018-19 Enforcement in Vulnerable Communities Budget Change Proposal.
- It is requested that Item 3960-001-0557 be increased by \$1.2 million to shift the 2018-19 Safer Consumer Products Budget Change Proposal from the General Fund to the Toxic Substances Control Account.
- It is requested that Item 3960-001-0001 be decreased by \$6,696,000 to conform to the changes described above.

Cost Recovery Management System Information Technology Project—It is requested that Items 3960-001-0014 and 3960-001-0557 each be increased by \$1,289,000 and 2 positions for a total of \$2,578,000 for the planning and project implementation phases of the Cost Recovery Management System (CRMS) information technology platform upgrade project. Upgrading the CRMS platform is critical because the existing system is no longer supported and cannot be upgraded to meet statutory changes, and because cost recovery constitutes a significant source of revenue for the Department.

Information Technology Security Software—It is requested that Items 3960-001-0014 and 3960-001-0557 each be increased by \$226,000 for a total of \$452,000 to purchase and install security software to remain compliant with California Department of Technology and state regulations and remediate information security risks.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Teresa Calvert, Assistant Program Budget Manager, at (916) 324-0043.

KEELY MARTIN BOSLER
Director
By:

/s/ Vivek Viswanathan

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Mr. Eric Jarvis, Assistant Secretary, Fiscal and Administrative Programs, California Environmental
Protection Agency
Ms. Meredith Williams, Acting Director, Department of Toxic Substances Control
Ms. Francesca Negri, Chief Deputy Director, Department of Toxic Substances Control
Ms. Ellen Moratti, Chief Financial Officer, Department of Toxic Substances Control
Ms. Alice Jeung, Budget Officer, Department of Toxic Substances Control